



ILEMBE DISTRICT MUNICIPALITY ILEMBE –UMASIPALA WESIFUNDA

25 March 2011

The Head of Department
KwaZulu-Natal Provincial Treasury
P O Box 3613
PIETERMARITZBURG 3200

Dear Sir

OVERSIGHT REPORT ON THE 2009/2010 ANNUAL REPORT OF THE ILEMBE DISTRICT MUNICIPALITY

As required by section 129 of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) I attach a copy of the Oversight Report on the 2009/2010 Annual Report of the iLembe District Municipality.

The Oversight Report was considered by the Council of the iLembe District Municipality on 24 March 2011, when the Council adopted the following resolutions on the subject:-

1. That the Council, having fully considered the 2009/2010 Annual Report of the iLembe District Municipality, including the 2009/2010 Annual Report of iLembe Management Development Enterprise (Pty) Ltd, and representations thereon, hereby adopts the 2009/2010 Oversight Report on the Annual Report.
2. That the 2009/2010 Annual Report of the iLembe District Municipality be approved, subject to the inclusion of the following as addenda to the report:-
 - 2.1 the Implementation Action Plan arising from the Findings of the Audit Report for the Year Ending 30 June 2010, set out in Annexure Five of the Oversight Report;
 - 2.2 the Finance Department Scorecard, set out in Annexure Six of the Oversight Report; and
 - 2.3 an assessment by the Accounting Officer on any arrears on municipal services.

Yours faithfully

C M HARRIS
MANAGER : SUPPORT SERVICES

Ilembe House, 59/61 Mahatma Ghandhi Street, KwaDukuza 4450, South Africa

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P.O Box 1788, KwaDukuza 4450

All correspondence to be addressed to the Municipal Manager

iLEMBE DISTRICT MUNICIPALITY

2009/2010 ANNUAL OVERSIGHT REPORT

REPORT OF THE STANDING COMMITTEE ON MUNICIPAL ACCOUNTS ON THE 2009/2010 ANNUAL REPORT OF THE ILEMBE DISTRICT MUNICIPALITY

1. Introduction

The 2009/2010 Annual Report of the iLembe District Municipality, which included the Report of the Auditor-General to the Council on the Financial Statements and Performance Information of the Municipality for the year ended 30 June 2010, was circulated to all Councillors on 20 January 2011 under cover of Council Circular 1A of 2011.

The 2009/2010 Annual Report of iLembe Management Development Enterprise (Pty) Ltd. (Enterprise iLembe) was circulated to all Councillors on 20 January 2011 under cover of Council Circular 1B of 2011.

Subsequently, as required by section 127 of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003), the Mayor tabled the Annual Reports at a meeting of the Council held on Tuesday, 25 January 2011.

Arising therefrom, the Council adopted the following resolutions:-

1. That the 2009/2010 Annual Report of the iLembe District Municipality and the 2009/2010 Annual Report of iLembe Management Development Enterprise (Pty) Ltd be received in terms of section 127 of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003).
2. That the Annual Reports referred to in 1 above be submitted to the Standing Committee on Municipal Accounts to examine the annual reports on behalf of the Council and to develop the annual oversight report based on the annual reports.

In respect of resolution 2 above, it is recorded that at a meeting held on 16 February 2010 the Council established a Standing Committee on Municipal Accounts (SCOMA) and, in accordance with the guidelines issued by the Department of Local Government and Traditional Affairs regarding the functions of a SCOMA, adopted terms of reference for the Committee which included a requirement that the Committee initiate and develop the annual oversight report based on the annual report

A notice inviting comment on the Annual Report was published on 4 February 2011.

A copy of the notice is attached as Annexure One.

The only comments received on the report were submitted by the District Manager : iLembe District, Department of Co-operative Governance and Traditional Affairs in a letter dated 11 February 2011.

A copy of the letter is attached as Annexure Two.

SCOMA met on 10 February 2011 and 10 March 2011 to review the 2009/2010 Annual Report.

An extract from the minutes of the abovementioned meetings dealing with the Annual Report is attached as Annexure Three and Four, respectively.

2. Summary of Comments -

2.1 Corrective Action Taken or to be Taken in Response to Issues Raised in the Audit Report

Section 121(3)(g) of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) requires that the annual report include particulars of any corrective action taken or to be taken in response to issues raised in the audit report.

The Municipality has prepared an Audit Turnaround Strategy containing an action plan arising from the findings of the Audit Report but that action plan was not included in the Annual Report.

A copy of the Action Plan is attached as Annexure Five.

The Committee has reviewed the detail of the action plan and has endorsed the proposed actions. It will be recommended that in order to comply with section 121(3)(g) of the Local Government : Municipal Finance Management Act, 2003 the action plan be included as an addendum to the Annual Report .

2.2 Departmental Scorecard : Finance Department

The 2009/2010 Annual Performance Report contains, as annexures, the Organisational Scorecard, the Municipal Manager's Scorecard and the Scorecards for all Departments other than the Finance Department.

Scorecard was provided for the Finance Department in view of the fact that the Post of Director : Finance was vacant for a large portion of the year under review.

SCOMA considers that the absence from the Annual Report of any service delivery and budget implementation information regarding the Finance Department results in an understatement of important activities undertaken in connection with the finances of the Municipality and should be corrected.

SCOMA will recommend that, notwithstanding that the Finance Department Scorecard has only been completed in respect of Managers in that Department, the Finance Department Scorecard be included as an addendum to the Annual Report.

A Copy of the scorecard is attached as Annexure Six.

2.3 Comments Received on the Annual Report.

The Committee has dealt, seriatim, with the comments received from the District Manager : iLembe District : Department of Co-operative Governance and Traditional Affairs and submits the following responses thereto:-

1. *No assessment of performance against measurable performance objectives for revenue collection by the accounting officer.*

The 2010/2011 Annual Report of the Municipality includes the 2010/2011 Annual Performance Report.

That Annual Performance Report does contain an assessment of performance against revenue collection targets. In the narrative of the report, on page 122, details of the previous year's average monthly collection rate against monthly billing is given, as well as the performance objective and the collection rate achieved.

In the Finance Department's Service Delivery Budget Implementation Plan the range of revenue collection measures also reflect actual results against a number of additional Key Performance Areas, such as: Returned Statements, % monthly payment rate increase and % of all registered consumers paying their current account monthly.

SCOMA will not recommend any amendment to the Annual Report in response to this comment of the District Manager : iLembe District : Department of Co-operative Governance and Traditional Affairs.

2. *No comparison in the performance report with the prior year's targets.*

The 2010/2011 Annual Performance Report, included in the 2010/2011 Annual Report contains, in narrative form, comparisons with the prior year's targets.

Examples of those comparisons appear on page 121 where the number of households served with new water access in 2009/2010 is compared with the target for 2008/2009 and where sanitation delivery in 2009/2010 is compared with the previous year

SCOMA will not recommend any amendment to the Annual Report in response to this comment of the District Manager : iLembe District : Department of Co-operative Governance and Traditional Affairs.

3. *No development and service delivery priorities and performance targets set for the next financial year.*

In the letter under reference, the District Manager : iLembe District : Department of Co-operative Governance and Traditional Affairs contends that the requirement referred to above is contained in section 46 of the Local Government : Municipal Systems Act, 2000 (Act 32 of 2000)

That section states that the Municipality must prepare for each financial year a performance report reflecting the performance of the Municipality during that financial year.

The section also indicates that the performance report must form part of the Municipality's annual report.

The 2009/2010 Annual Report of the Municipality does contain a performance report reflecting the performance of the Municipality during that financial year.

The 2009/2010 Annual Report is historical in nature and section 46 of the Local Government : Municipal Systems Act (No. 32 of 2000) makes no mention of the need to include development and service delivery priorities and performance targets set for the next financial year.

SCOMA will not recommend any amendment to the Annual Report in response to this comment of the District Manager : iLembe District :: Department of Co-operative Governance and Traditional Affairs.

4. *No assessment by the Accounting Officer on any arrears on municipal services and other charges : limited report on revenue enhancement.*

The matter of arrears on municipal services is dealt with in various sections of the Annual Report, including the report of the Audit Committee and the Annual Performance Report.

However, for the purposes of strict compliance with Section 121(3)(e) of the Local Government : Municipal Finance Management Act, 2003 SCOMA will recommend that an assessment by the Accounting Officer on any arrears on municipal services and other charges be included as an addendum to the Annual Report.

5. *No response to the Audit Report on the Annual Financial Statements*

In the letter under reference, the District Manager : iLembe District : Department of Co-operative Governance and Traditional Affairs refers to section 121(3)(g) of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) as requiring a "response to the Audit Report on the Annual Financial Statements"

The specific requirement of that section of the Act is that the annual report include "particulars of any corrective action taken or to be taken in response to issues raised in the audit report"

That requirement is dealt with in section 2.1 of this report

3. **Conclusion**

The Standing Committee on Municipal Accounts, acting in its capacity as the Annual Report Oversight Committee, recommends:-

1. That the Council, having fully considered the 2009/2010 Annual Report of the iLembe District Municipality, including the 2009/2010 Annual Report of iLembe Management Development Enterprise (Pty) Ltd, and representations thereon, hereby adopts the 2009/2010 Oversight Report on the Annual Report.

2. That the 2009/2010 Annual Report of the iLembe District Municipality be approved, subject to the inclusion of the following as addenda to the report:-
 - 2.1 the Implementation Action Plan arising from the Findings of the Audit Report for the Year Ending 30 June 2010, set out in Annexure Five of the Oversight Report;
 - 2.2 the Finance Department Scorecard, set out in Annexure Six of the Oversight Report; and
 - 2.3 an assessment by the Accounting Officer on any arrears on municipal services.





COUNCILLOR C R MARSH
CHAIRPERSON : STANDING COMMITTEE ON MUNICIPAL ACCOUNTS
10 March 2011

Annexures

- One: Notice inviting comment on the 2009/2010 Annual Report.
- Two: Letter dated 11 February 2011 from the District Manager : iLembe District, Department of Co-operative Governance and Traditional Affairs.
- Three: Extract from the Minutes of a meeting of SCOMA held on 10 February 2011
- Four: Extract from the Minutes of a meeting of SCOMA held on 10 March 2011
- Five: Implementation Action Plan arising from the Findings of the Audit Report for the Year Ending 30 June 2010.
- Six: Scorecard : Finance Department :

STANGER WEEKLY : 4 FEBRUARY 2011

 **ILEMBE DISTRICT MUNICIPALITY** 

2009/2010 ANNUAL REPORT

Notice is given in terms of section 127 of the Local Government Municipal Finance Management Act: 2003 (Act 56 of 2003) that the 2009/2010 Annual Report of the Lembe District Municipality and the 2009/2010 Annual Report of Lembe Management Development Enterprise (Pty) Ltd. are available for public inspection.

A copy of the Annual Reports may be viewed at the Reception area, 1st Floor, Lembe House, 59/61 Mahatma Gandhi Street, KwaDukuza, between the hours 08h00 to 15h00, Monday to Friday.

Members of the local community are invited to submit written representations in connection with the Annual Reports to the Municipal Manager, Lembe District Municipality, Lembe House, 59/61 Mahatma Gandhi Street, KwaDukuza or P.O. Box 1788, KwaDukuza, 4450.

Such submissions should be delivered or posted to reach the Municipal Manager by no later than 18 February 2011.

Any person who cannot write may come to the Reception area, 1st Floor, Lembe House, 59/61 Mahatma Gandhi Street, KwaDukuza, between the hours 07h30 to 16h00, Monday to Friday, where Ms. She Khanyile will assist that person to transcribe his or her representations.

M.D. NEWTON
MUNICIPAL MANAGER



cogta

ANNEXURE TWO

Department:
Co-operative Governance and Traditional Affairs
PROVINCE OF KWAZULU-NATAL

Enquiries Imibuzo Navrae	Mrs HB Krishnan	Telephone Ucingo Telefoon	033 3556563	Private Bag Isikhwama Seposi Privaat Sak	X9123 PIETERMARITZBURG 3201
Reference Inkomba Verwysing	DC29/13//2/8/2/1	Fax Ifekel Faks	033 3556292	Date Usuku Datum	11 February 2011

The Municipal Manager
Ilembe District Municipality:
P O Box 1788
Kwa Dukuza
4450:

Dear Sir

ANALYSIS OF THE REPORTING AND DISCLOSURE REQUIREMENTS IN THE ANNUAL REPORT

Please be advised that the Department of Co-operative Governance and Traditional Affairs has analysed your 2009/10 annual report in terms of the reporting and disclosure requirements as set out in Chapter 12 of the Municipal Finance Management Act (No.56 of 2003), in particular sections 121(3) and (4), 123, 124 and 125, and section 46 of the Local Government Municipal Systems Act (No. 32 of 2000).

The analysis indicates that the following items are not included in your annual report:

1. No assessment of the performance against measurable performance objectives for revenue collection by the Accounting Officer - s12 (3)(f).
2. No comparison in the performance report with the prior year's targets - MSA s46 (1) (a).
3. No development and service delivery priorities and performance targets set for the next financial year - MSA s46 (1) (a).
4. No assessment by the Accounting Officer on any arrears on municipal services and other charges - s121 (3) (e) - limited report on revenue enhancement (page 122).
5. No response to the Audit Report on the AFS - s121 (3)(g).

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People centred sustainable co-operative governance which focuses on effective service delivery responsive to the needs of the community

[REDACTED]

In terms of section 129 of the Municipal Finance Management Act (No.56 of 2003) your municipal council is required to consider the annual report of the municipality and its municipal entity/s and adopt an oversight report on the annual report. Kindly ensure that the oversight report, adopted by your council, addresses the deficiencies highlighted above.

Yours Faithfully



R W BOWYER

District Manager: Ilembe District

ANNEXURE THREE

EXTRACT FROM THE MINUTES OF A MEETING OF THE STANDING COMMITTEE ON MUNICIPAL ACCOUNTS HELD ON THURSDAY, 10 FEBRUARY 2011

Present: Councillors C R Marsh (Chairperson), T M Mhlaba, N J Nkwanyana and M P P Zungu

Absent: Councillor M A Maphumulo

Officials: Messrs. M D Newton, C Harris and A Horton

12. **Oversight Report : 2009/2010 Annual Report of the iLembe District Municipality and 2009/2010 Annual Report of iLembe Management Development Enterprise (Pty) Ltd : Report dated 26 January 2011 by the Manager : Support Services (Pages 9 - 27)**

The Committee was informed that on 4 February 2011 advertisements had appeared in the local press advising that the 2009/2010 annual reports of the Municipality and of iLembe Management Development Enterprise (Pty) Ltd. were available for inspection.

The advertisement also invited members of the local community to submit written representations in connection with the Annual Reports to the Municipal Manager by no later than 18 February 2011.

On that basis it was:-

RESOLVED:

1. That the 2009/2010 Annual Report of the iLembe District Municipality and the 2009/2010 Annual Report of iLembe Management Development Enterprise (Pty) Ltd. (Enterprise iLembe) be noted at this stage
2. That consideration of the reports be deferred until after the closing date for the submission of representations in connection with the reports.

CERTIFIED CORRECT



C M HARRIS
MANAGER : SUPPORT SERVICES
8 March 2011

ANNEXURE FOUR

EXTRACT FROM THE MINUTES OF A MEETING OF THE STANDING COMMITTEE ON MUNICIPAL ACCOUNTS (MUNICIPAL SCOMA) HELD ON THURSDAY, 10 MARCH 2011

Present: Councillors C R Marsh (Chairperson), T M Mhlaba and M P P Zungu

Absent: Councillors M A Maphumulo and N J Nkwanyana

Officials: Messrs. M D Newton, A Makhanya and C M Harris

10. Oversight Report : 2009/2010 Annual Report of the iLembe District Municipality and 2009/2010 Annual Report of iLembe Management Development Enterprise (Pty) Ltd

The Committee was informed that in response to the advertisement published on 4 February 2011 inviting members of the local community to submit written representations in connection with the Annual Reports, the only comments received were submitted by the District Manager : iLembe District : Department of Co-operative Governance and Traditional Affairs in a letter dated 11 February 2011.

The Committee then reviewed the Annual report and considered the representations received from the Department of Co-operative Governance and Traditional Affairs.

During that process the Committee noted that Section 121(3)(g) of the Local Government : Municipal Finance Management Act, 2003 required that the annual report include particulars of any corrective action taken or to be taken in response to issues raised in the audit report.

The Municipality had prepared an Audit Turnaround Strategy containing an action plan arising from the findings of the Audit Report but that action plan had not been included in the Annual Report.

The Committee agreed that the action plan should be included as an addendum to the Annual Report.

In addition the Committee noted that the 2009/2010 Annual Performance Report contained, as annexures, the Organisational Scorecard, the Municipal Manager's Scorecard and the Scorecards of all Departments, other than the Finance Department. The Finance Department Scorecard had not been included in view of the fact that the Post of Director : Finance had been vacant for a large portion of the year under review.

However, the Committee considered that the absence from the Annual Report of any service delivery and budget implementation information regarding the Finance Department resulted in an understatement of important activities undertaken in connection with the finances of the Municipality and should be corrected.

The Committee agreed that the Finance Department Scorecard should be included as an addendum to the Annual Report, notwithstanding the fact that

the Finance Department Scorecard had only been completed in respect of Managers in that Department.

The Committee then considered the submissions received from the Department of Co-operative Governance and Traditional Affairs.

Referring to the comment that no assessment of performance against measurable performance objectives for revenue collection had been included in the Annual Report, the Committee noted that the Annual Performance Report, which was included in the Annual Report, did contain such an assessment, on page 122.

In addition, in the Finance Department's Service Delivery Budget Implementation Plan (which the Committee had now agreed should be included in the Annual Report) the range of revenue collection measures also reflected actual results against a number of additional Key Performance Areas.

The Committee agreed that no amendment to the Annual Report was necessary in response to that comment of the Department of Co-operative Governance and Traditional Affairs.

Insofar as the comment that there was no comparison in the performance report with the prior year's targets was concerned, the Committee noted that the Annual Performance Report did include, in narrative form, comparisons with the prior year's targets.

The Committee further noted that the Department of Co-operative Governance and Traditional Affairs contended that section 46 of the Local Government : Municipal Systems Act, 2000 required that development and service delivery priorities and performance targets set for the next financial year be included in the Annual Report.

In that regard, however, the Committee noted that the section concerned stated that the Municipality must prepare for each financial year a performance report reflecting the performance of the Municipality during that financial year and made no mention of the need to include development and service delivery priorities and performance targets set for the next financial year.

The 2009/2010 Annual Report of the Municipality did contain a performance report reflecting the performance of the Municipality during that financial year.

The Committee agreed that no amendment to the Annual Report was necessary in response to this comment of the Department of Co-operative Governance and Traditional Affairs.

Turning to the comment by the Department of Co-operative Governance and Traditional Affairs that the Annual Report did not include an assessment by the Accounting Officer on any arrears on municipal services and other charges, the Committee noted that the matter of arrears on municipal services was dealt with in various sections of the Annual Report, including the report of the Audit Committee and the Annual Performance Report.

The Committee agreed, however, that for the purposes of strict compliance with Section 121(3)(e) of the Local Government :

Municipal Finance Management Act, 2003, an assessment by the Accounting Officer on any arrears on municipal services and other charges should be included as an addendum to the Annual Report.

Finally, the Committee noted that it had already dealt with the matter of responses to the Audit Report on the Annual Financial Statements.

On the basis of all of the above the Committee:-

RESOLVED TO RECOMMEND:

1. That the Council, having fully considered the 2009/2010 Annual Report of the iLembe District Municipality, including the 2009/2010 Annual Report of iLembe Management Development Enterprise (Pty) Ltd, and representations thereon, hereby adopts the 2009/2010 Oversight Report on the Annual Report.
2. That the 2009/2010 Annual Report of the iLembe District Municipality be approved, subject to the inclusion of the following as addenda to the report:-
 - 2.1 the Implementation Action Plan arising from the Findings of the Audit Report for the Year Ending 30 June 2010, set out in Annexure Five of the Oversight Report;
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 - 2.3 an assessment by the Accounting Officer on any arrears on municipal services.

CERTIFIED CORRECT


C M HARRIS
MANAGER : SUPPORT SERVICES
10 March 2011

**iLembe District Municipality
Audit Turnaround Strategy
2010/2011**

**STATUTORY AUDIT TURNAROUND PLAN
2010/2011 – IMPLEMENTATION PLAN**

#	Audit Finding	Rating	Unit	Root Cause	Action	Assigned To	Date of action	Action to Date
1.	Awards to persons in service of the state.	M	SCM	Lack of internal controls and management supervision. <i>Possible Impact – Audit: Irregular Expenditure</i>	<ul style="list-style-type: none"> SCM Restriction form will be signed under Oath. Consult legal department about possible action. 	SCM: Manager	01/02/2011	Registration Form has been changed to include the signature of a Commissioner of Oaths. This will mean that if false statements are made on the form there is some legal recourse. There is no website showing employees of the State.
2.	<p>Indicators of possible fraud:</p> <ul style="list-style-type: none"> The goods and services were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or his delegate in accordance with the SCM policy. These suppliers were found not to be registered on the municipality's supplier database. VAT was paid to ALL-TRADE however the VAT number stated on the invoices was found to be invalid as per the VAT vendor search performed on the SARS website. In addition, a comparison quote obtained from an 	H	SCM	<ul style="list-style-type: none"> Poor planning by user department (Assessment of needs). Poor management of departmental budget. Poor budgeting. User department making their procurement. Lack monitoring and evaluation by the SCM unit. Lack of Benchmark or standardized pricing of goods and services. 	<ul style="list-style-type: none"> Introduce an interim three monthly procurement plan per department and centralization of SCM. Amend SCM Policy i.e. Deviations be approved by CFO and MM according with delegated authority. Register all the suppliers onto municipal Database (interrogate DIMS and Munsoft) Check from July that all services providers are on the database and comply with the requirements. Deviations must be prepared by User via SCM on sound basis beyond the control of normal procurement process. 	<p>SCM Manager</p> <p>CFO/SCM</p> <p>SCM: To get Temp to conduct by 15/02/11.</p> <p>SCM</p>	<p>01/02/2011</p> <p>01/03/2011</p> <p>30/06/2011</p> <p>Immediate effect</p>	<p>Procurement Plan for all Departments except Corporate Services. CFO has plans and is to follow up with Corp Serv.</p> <p>Deviation forms are signed by Manager: SCM, CFO and MM. System to be put in place that deviation letter is attached to payment voucher and Manager: SCM to file a copy.</p> <p>CFO to identify students to undertake SCM work.</p> <p>Deviations follow the process, Dept. – MM – CFO – SCM. Irregular expenditure register to be implemented.</p> <p>SCM Section to introduce SCM Filing System. File for each service provider and file for each bid.</p> <p>All purchase for 2010/11 to be scrutinized to identify irregular</p>

Action plan on audit findings